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Report and Accounts

FOR THE YEAR ENDED

31st MARCH

1961

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BOOTS PURE DRUG CO. LTD.



BOOTS PURE DRUG COMPANY LIMITED

REPORT AND ACCOUNTS

for the year ended 31st March, 1961

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SIR JESSE BOOT, LORD TRENT
Chairman 1888-1931



JOHN BOOT, LORD TRENT
Chairman 1931-1954



J. P. SAVAGE
Chairman 1954-1961



WILLOUGHBY R. NORMAN
Chairman 1961

BOOTS PURE DRUG COMPANY LIMITED

Directors and Officers

Directors W. R. NORMAN, CHAIRMAN

THE RT. HON. THE EARL OF SELBORNE, P.C., C.H., DEPUTY-CHAIRMAN

F. A. COCKFIELD, MANAGING DIRECTOR

K. D. WILLIAMSON, DEPUTY MANAGING DIRECTOR

THE RT. HON. LORD COLERAINE, P.C.

R. C. M. DICKSON, M.P.S.

K. H. HARPER, M.P.S.

G. I. HOBDAV

I. J. PITMAN, M.P.

Secretary H. T. MILNES

Bankers NATIONAL PROVINCIAL BANK LTD.

Auditors SHARP, PARSONS & CO., *Chartered Accountants, Birmingham*

Consulting Accountants PEAT, MARWICK, MITCHELL & CO., *Chartered Accountants, London, etc.*

Registered Office *Station Street, Nottingham*

Report of the Directors

The Directors submit their Seventy-third Annual Report to the Shareholders, together with the Audited Accounts for the year ended 31st March, 1961.

The Consolidated Profit and Loss Account shows the earnings of the Group which amount before tax to £8,826,093 compared with £7,560,697 for the previous year and after tax amount to £4,263,303 as against £3,826,004 for the previous year. The Net Profits of Boots Pure Drug Company Limited amount to £3,396,660 compared with £3,148,027 for the previous year.

The Directors recommend the payment of a Final Dividend of 8%, less Tax, to Ordinary Shareholders on the register on 10th May, 1961. This together with the Interim Dividend already paid makes a total equal to 12%, less Tax, for the year on the capital as increased by the one for one share issue on 22nd November, 1960.

The details of Dividends paid and recommended, together with Appropriations made by the Directors, are shown in the Profit and Loss and Appropriation Account.

As already announced, Mr. J. P. Savage retired from the Board and from the office of Chairman and Managing Director on 31st March, 1961. The Directors wish to place on record their gratitude for the outstanding contribution he has made in his forty-nine years with the Company. Following Mr. Savage's retirement, Mr. Willoughby R. Norman was elected Chairman, Mr. F. A. Cockfield, Managing Director, and Mr. K. D. Williamson, Deputy Managing Director.

The Rt. Hon. Lord Coleraine, P.C., retires by rotation and offers himself for re-election. The Rt. Hon. The Earl of Selborne, P.C., C.H., who has attained the age of 70 years, retires and offers himself for re-election.

The Auditors, Messrs. Sharp, Parsons & Company, have merged with Messrs. Peat, Marwick, Mitchell & Company. They will continue in office, but under the latter name. A resolution as to their remuneration will be proposed.

The Directors gratefully acknowledge the vital part played by the staff in bringing about these results.

13th June, 1961

By Order of the Board,
H. T. MILNES, *Secretary*

Profit and Loss (Consolidated) and Appropriation Account

FOR THE YEAR ENDED 31st MARCH, 1961

*(Incorporating the results of the United Kingdom Subsidiaries
for the year ended 31st March, 1961,
and of the Overseas Subsidiaries for the year ended 31st December, 1960)*

1960			1961	
£	£		£	£
		PROFITS of Boots Pure Drug Company Limited and Profits (<i>less</i> Losses) of Subsidiaries before charging Tax and the Profit Earning Bonus for Staff		9,646,004
8,263,057				
<u>702,360</u>		<i>Deduct</i> Profit Earning Bonus for Staff		<u>819,911</u>
7,560,697		CONSOLIDATED PROFITS BEFORE TAX		8,826,093
		<i>Deduct</i> Provision for Tax on Profits of the year—		
	92,166	Overseas Tax	109,252	
	720,623	United Kingdom Profits Tax	1,092,764	
	<u>2,918,903</u>	United Kingdom Income Tax	<u>3,367,677</u>	
	3,731,692		4,569,693	
	<u>3,001</u>	<i>Less</i> Deferred Tax Brought Back	<u>6,903</u>	
<u>3,734,693</u>				<u>4,562,790</u>
		NET PROFITS OF THE GROUP:		
	677,977	Profits retained by Subsidiaries	866,643	
	<u>3,148,027</u>	Profits of Boots Pure Drug Company Limited	<u>3,396,660</u>	
<u>3,826,004</u>				<u>4,263,303</u>
		THE AMOUNT AVAILABLE IS DEALT WITH AS FOLLOWS:		
	2,500	Goodwill written off by Subsidiaries		—
		Dividends (<i>less</i> Tax) for the year—		
	59,259	On Preference and Preferred Ordinary Shares (already paid)	59,259	
		On Ordinary Shares—		
	470,400	Interim of 8% already paid (equal to 4% on present Capital)	627,200	
	<u>1,176,000</u>	Final Dividend proposed of 8% making a total equal to 12%	<u>1,254,400</u>	
1,705,659				1,940,859
		Profits retained in the Group and included in Revenue Reserves—		
	675,477	Subsidiaries	866,643	
	<u>1,442,368</u>	Boots Pure Drug Company Limited	<u>1,455,801</u>	
2,117,845				<u>2,322,444</u>
<u>£3,826,004</u>				<u>£4,263,303</u>

The notes on pages 10 and 11 form part of the Annual Accounts

BOOTS PURE DRUG COMPANY LIMITED

Balance

1960		CAPITAL AND LIABILITIES		1961	
£	£			£	£
	1,400,000	Capital Authorised:			
	<u>13,600,000</u>	Preference and Preferred Ordinary Shares		1,400,000	
<u>15,000,000</u>		Ordinary Shares of 5/- each		<u>38,600,000</u>	<u>40,000,000</u>
		Capital Issued and Fully Paid:			
	10,000	A Preference Shares, £1 each 7%		10,000	
	25,000	B Preference Shares, £100 each 6%		25,000	
	100,000	C Preference Shares, £1 each 6%		100,000	
	120,000	A Preferred Ordinary Shares, £1 each 7%		120,000	
	245,000	B Preferred Ordinary Shares, £1 each 7%		245,000	
	400,000	C Preferred Ordinary Shares, £1 each 7%		400,000	
	500,000	D Preferred Ordinary Shares, £1 each 7%		500,000	
	<u>12,800,000</u>	Ordinary Shares, 5/- each		<u>25,600,000</u>	27,000,000
14,200,000					
		Capital Reserve			629,848
7,780,720					
		Revenue Reserve			7,074,127
5,618,326					
		6% Loan Stock 1978-83			2,065,866
2,065,866					
		Provisions:			
	600,000	Pensions		600,000	
	2,362,000	Income Tax (Schedule D) for the Fiscal Year to 5th April, 1962		2,520,000	
	411,992	Deferred Tax in respect of Capital Expenditure		396,365	
3,373,992				<u>3,516,365</u>	
		Current Liabilities:			
	7,382,552	Trade Creditors, Apportionments and Tax		8,800,748	
	5,200	Amounts due to Subsidiaries		5,200	
	<u>1,176,000</u>	Final Dividend recommended on Ordinary Shares		<u>1,254,400</u>	10,060,348
8,563,752					
<u>£41,602,656</u>					<u>£50,346,554</u>

The notes on pages 10 and 11

1960		PROPERTY AND ASSETS		1961	
£	£			£	£
		Fixed Assets:			
		Properties as independently valued at 31st March, 1958, or at Cost:			
	13,170,718	Freeholds .. .. .	.. .. .	13,390,968	
	1,192,346	Leaseholds .. .. .	.. .. .	1,199,240	
	9,105,752	Fittings and Plant at Cost .. .. .	.. .. .	10,017,584	
23,468,816	<u> </u>			<u> </u>	24,607,792
		<i>Less Provisions for Depreciation and Amortisation:</i>			
	624,046	Freeholds .. .. .	.. .. .	930,405	
	185,596	Leaseholds .. .. .	.. .. .	209,110	
	5,655,977	Fittings and Plant .. .. .	.. .. .	6,139,486	
6,465,619	<u> </u>			<u> </u>	7,279,001
<u>17,003,197</u>					<u>17,328,791</u>
		Investments:			
		Subsidiaries:			
	4,567,811	Ordinary Shares at par, <i>less</i> Provisions .. .. .	.. .. .	10,356,871	
	299,705	Loans, <i>less</i> Provisions .. .. .	.. .. .	1,076,045	
	5,100	Trade Investments at Cost, <i>less</i> amounts written off .. .. .	.. .. .	5,100	
4,872,616	<u> </u>			<u> </u>	11,438,016
		Current Assets:			
	8,244,451	Amounts due by Subsidiaries, <i>less</i> Provisions .. .. .	.. .. .	8,793,887	
	7,708,737	Stock-in-Trade at or under Cost .. .. .	.. .. .	8,263,540	
	3,402,449	Trade Debtors and Apportionments, <i>less</i> Provision .. .. .	.. .. .	3,738,788	
	371,206	Cash at Bankers and in hand .. .. .	.. .. .	783,532	
19,726,843	<u> </u>			<u> </u>	21,579,747

W. R. NORMAN }
 F. A. COCKFIELD } *Directors*

£41,602,656

£50,346,554

1960		CAPITAL AND LIABILITIES		1961	
£	£			£	£
	1,400,000	Authorised Capital of Boots Pure Drug Company Limited:			
	13,600,000	Preference and Preferred Ordinary Shares .. .. .	.. .. .	1,400,000	
15,000,000	<u>13,600,000</u>	Ordinary Shares .. .. .	.. .. .	<u>38,600,000</u>	<u>40,000,000</u>
		Issued and Fully Paid Capital of Boots Pure Drug Company Limited:			
	1,400,000	Preference and Preferred Ordinary Shares .. .. .	.. .. .	1,400,000	
14,200,000	<u>12,800,000</u>	Ordinary Shares .. .. .	.. .. .	<u>25,600,000</u>	<u>27,000,000</u>
14,660,418		Capital Reserves .. .. .	.. .. .		1,718,803
10,582,158		Revenue Reserves .. .. .	.. .. .		12,904,602
2,065,866		6% Loan Stock 1978-83 .. .. .	.. .. .		2,065,866
		Provisions:			
	1,020,000	Pensions .. .. .	.. .. .	1,020,000	
	3,005,000	Income Tax (Schedule D) for the Fiscal Year to 5th April,	.. .. .	3,443,000	
	686,840	1962 .. .. .	.. .. .	679,937	
4,711,840	<u>686,840</u>	Deferred Tax in respect of Capital Expenditure .. .. .	.. .. .	<u>679,937</u>	<u>5,142,937</u>
		Current Liabilities:			
	9,196,895	Trade Creditors, Apportionments and Tax .. .. .	.. .. .	10,792,805	
	71,427	Amounts due to Bankers .. .. .	.. .. .	23,141	
	1,176,000	Final Dividend on Boots Pure Drug Company Limited	.. .. .	1,254,400	
10,444,322	<u>1,176,000</u>	Ordinary Shares .. .. .	.. .. .	<u>1,254,400</u>	<u>12,070,346</u>
<u>£56,664,604</u>					<u>£60,902,554</u>

Notes on the Accounts

These Notes form part of the Annual Accounts

1. (a) The Group Profits have been arrived at after taking credit for Income from Trade Investments £1,413 (£1,206) and after charging the following expenses:

1960			1961	
£	£		£	£
	389,207	Depreciation of Freehold Properties	414,576	
	231,618	Depreciation and Amortisation of Leasehold Properties	240,896	
	972,126	Depreciation of Fittings and Plant	1,104,593	
1,592,951	<u> </u>		<u> </u>	1,760,065
123,952		Loan Stock Interest		123,952
8,899		Remuneration of Auditors		10,021
		Companies' Payments to Pension Funds:		
587,904		Ordinary Contributions		631,744
124,576		Annual Payments for past service		125,863

- (b) The emoluments of the Directors of Boots Pure Drug Company Limited from all members of the Group are comprised of:

1960			1961	
£	£		£	£
11,925		Directors' Fees	12,000	
206,954		Other emoluments, including participation in profits ..	222,060	
		Pensions and Superannuation Gratuities paid to Past Directors		1,000
23,833				<u> </u>
<u>£242,712</u>				<u>£235,060</u>

2. Outstanding commitments in respect of capital expenditure are estimated at £501,000 for Boots Pure Drug Company Limited and £1,011,000 for the Subsidiaries, making a total of £1,512,000 for the Group.
3. The currency values of the assets and liabilities of the Overseas Subsidiaries have been converted into sterling at the approximate rates of exchange ruling at 31st March, 1961.
4. The accounting periods of the Overseas Subsidiaries have not been synchronised with that of Boots Pure Drug Company Limited as this would delay presentation of the Group's annual accounts.
5. The overdraft of an Overseas Subsidiary amounting to £23,141 at 31st December, 1960, was secured on the stock-in-trade of the Subsidiary.
6. Movements of the Reserves since 31st March, 1960 are as follows:

	Boots Pure Drug Company Limited £	Subsidiaries £	Consolidated £
REVENUE RESERVES:			
At 31st March, 1960	5,618,326	4,963,832	10,582,158
<i>Add:</i>			
Undistributed profits of the year ended 31st March, 1961	1,455,801	866,643	2,322,444
At 31st March, 1961	<u>£7,074,127</u>	<u>£5,830,475</u>	<u>£12,904,602</u>
CAPITAL RESERVES:			
At 31st March, 1960	7,780,720	6,879,698	14,660,418
<i>Add:</i>			
Surplus on sales of properties, and in respect of War Damage Claim.. .. .	7,250	7,032	14,282
Amounts capitalised by the Subsidiaries in favour of Boots Pure Drug Company Limited	5,771,000	5,771,000	—
	<u>13,558,970</u>	<u>1,115,730</u>	<u>14,674,700</u>
<i>Deduct:</i>			
Amount capitalised by scrip issue of 22nd November, 1960	12,800,000	—	12,800,000
Stamp Duty and expenses relating thereto and to increase in Authorised Capital, in accordance with resolution of members dated 22nd November, 1960	129,122	26,775	155,897
At 31st March, 1961	<u>£629,848</u>	<u>£1,088,955</u>	<u>£1,718,803</u>

Report of the Auditors

TO THE MEMBERS OF BOOTS PURE DRUG COMPANY LIMITED

We have audited the foregoing Balance Sheet and have obtained all the information and explanations which we considered necessary. Proper books of account have been kept and proper returns received from branches and the Balance Sheet is in agreement therewith.

We have examined the annexed Consolidated Balance Sheet and Profit and Loss (Consolidated) Account. The accounts of the Overseas Subsidiaries have been audited by other firms.

In our opinion the Balance Sheet and Consolidated Accounts, together with the Notes on the Accounts, comply with the requirements of the Companies Act, 1948, and give respectively a true and fair view of the state of the Company's affairs at 31st March, 1961 and a true and fair view of the state of affairs and of the profit of the Group.

BIRMINGHAM,
9th June, 1961.

SHARP, PARSONS & CO.,
Chartered Accountants.

This table expresses in figures the progress made by Boots at home and overseas in the last ten years.

The figures of sales represent sales to persons outside the Group: sales by Overseas Subsidiaries are included but sales by the Home Companies to the Overseas Companies are excluded.

To give a true comparison, the profit figures have been adjusted for all years to the basis now employed. Thus Loan Stock interest has been deducted for 1959, 1960 and 1961, while for earlier years the dividends on the Preference Shares of the Retail Subsidiaries (now replaced by the Loan Stock) have been deducted. Similarly freehold depreciation has been deducted for all years. The difference between profits after tax and net dividends plus undistributed profits represents goodwill written off, the amount of which is disclosed in each year's accounts.

No deduction has been made for Loan Stock or for provisions in computing capital employed. Similarly in arriving at profit as a percentage of capital employed, Loan Stock interest has not been deducted nor (for earlier years) the corresponding dividends on the Preference Shares of the Retail Subsidiaries. The figures for 1958 and subsequent years reflect the results of the property revaluation, which revealed a surplus of £13,425,018.

The nominal ordinary capital reflects the cash issues in the years to 31st March, 1951 and 1952, and the scrip issues in the years to 31st March, 1952 (one for one), 1956 (one for one), 1959 (one for four) and 1961 (one for one). The new capital subscribed in 1952 ranked only for the final dividend of 10%.

WORLD SALES .. .. .	..	..	..	..
PROFITS BEFORE TAX .. .. .	..	..	..	..
PROFITS AFTER TAX .. .. .	..	..	..	..
NET DIVIDENDS	PREF. .. .. .	..	..	..
	ORD. .. .. .	..	..	..
NET UNDISTRIBUTED PROFITS .. .. .	..	..	..	..
DEPRECIATION CHARGED (INCLUDING FREEHOLD DEPRECIATION) .. .. .	..	..	..	..
CAPITAL EXPENDITURE .. .. .	..	..	..	..
CAPITAL EMPLOYED .. .. .	..	..	..	..
PROFITS AS % OF CAPITAL EMPLOYED .. .. .	..	..	..	..
ORDINARY CAPITAL .. .. .	..	..	..	..
ORDINARY DIVIDENDS % .. .. .	..	..	..	..
EQUIVALENT % ALLOWING FOR SCRIP ISSUES .. .. .	..	..	..	..
NUMBER OF STAFF IN UNITED KINGDOM .. .. .	..	..	..	..
AMOUNT OF PROFIT EARNING BONUS .. .. .	..	..	..	..
NUMBER OF BRANCHES.. .. .	..	..	..	..

The Ten Year Record

1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
49,771	53,866	56,115	60,837	67,848	73,692	80,302	83,858	90,615	99,690
2,254	2,629	2,824	3,909	4,079	4,433	5,057	4,998	7,561	8,826
670	991	1,003	1,711	1,820	1,841 136*	2,095	2,442	3,826	4,263
51	51	53	53	56	56	56	56	59	59
470	550	634	797	824	942	1,060	1,226	1,646	1,882
123	363	296	843	928	962	968	1,150	2,118	2,322
711	836	911	959	1,014	1,086	1,369	1,468	1,593	1,760
1,797	1,393	1,291	1,697	2,781	2,439	2,454	2,759	3,047	3,410
21,813	22,800	23,313	25,260	26,352	27,819	41,900	42,944	46,220	48,832
10.9%	12.1%	12.6%	16%	15.9%	16.4%	12.4%	11.9%	16.6%	18.3%
5,120	5,120	5,120	5,120	10,240	10,240	10,240	12,800	12,800	25,600
20%	20%	22.5%	27.5%	14%	16%	18%	16%	21%	12%
4%	4%	4.5%	5.5%	5.6%	6.4%	7.2%	8%	10.5%	12%
33,987	34,239	34,712	36,045	37,016	37,154	39,039	39,345	39,344	39,606
			222	244	297	415	464	702	820
1,303	1,312	1,313	1,313	1,320	1,318	1,310	1,313	1,307	1,305

*Profits attributable to previous years.

BOOTS PURE DRUG COMPANY LIMITED

Statement by the Chairman

MR. WILLOUGHBY R. NORMAN

In this my first Statement as Chairman I must begin by paying tribute to my predecessor, Mr. J. P. Savage, who retired on March 31st after serving the Company for nearly fifty years, during the last seven of which he was Chairman. With his natural ability and long experience of the business he has made a great contribution to our affairs over many years. On personal grounds too, he will be greatly missed by his colleagues and many friends, and we all wish him a long and happy retirement.

Year's Results

I am happy to tell you that the year just ended has been another good one for your Company, though as was forecast, the profit increase is not on the same scale as last year. Home retail sales increased by 10.4%, and wholesale and overseas sales including the sales of our overseas subsidiaries by 6.7%, making the total sales of the Group to outside customers £99,690,000, an overall increase of exactly 10%. As is the general experience gross margins were trimmed during the year but the expense position was again well held resulting in a profit before tax of £8,826,093 compared with £7,560,697 last year, or after tax of £4,263,303 compared with £3,826,004.

Dividends

On these results the Directors are recommending a final dividend of 8%, which, with the increased interim of 4% (8% on the old capital) will make a total distribution of 12% for the year on the Ordinary Capital. This represents an increase of 1½% over the total for the previous year adjusted to the new capital, and will still leave a dividend cover of nearly 2½ times.

Finance

Tax absorbs a higher proportion of the profit this year because of the increase in profits tax in the 1960 budget and the inadequacy of depreciation allowances, and this is illustrated by the fact that while our pre-tax profits increased by 17%, profits after tax were only 11%

higher. Depreciation charged is up from £1,592,951 to £1,760,065 and undistributed profits increase by £204,599 to £2,322,444, so that the cash flow shows an increase of £371,713 and now exceeds £4 million.

There is nothing else in the accounts to which I need draw your attention except to the increase in the authorised and issued Capital, and the big movements in the capital reserves brought about by the one for one scrip issue of ordinary shares in November last.

On capital account we plan to spend during the current year £3 $\frac{3}{4}$ million, divided as to £2 $\frac{1}{2}$ million for the Retail Development Programme, and £1 $\frac{1}{4}$ million on buildings, plant and machinery for the wholesale side of the business. This is an increase of £350,000 over what was actually spent during the year covered by these accounts, and the new expenditure of £3 $\frac{3}{4}$ million is well within the cash flow.

On page 12 there is a table setting out a number of figures on a comparative basis over the past ten years.

Staff

This year the profit earning bonus, which is 8 $\frac{1}{2}$ % on the pre-tax profit and is divisible amongst the staff according to earnings and length of service, amounts to £819,911. This is an increase of 17% and it rises, or falls, in exactly the same proportions as the pre-tax profits, thereby giving the staff as is right and proper a direct interest proportionate to the success of the Group.

During the year we introduced a forty-hour week for everyone in our factories, warehouses, and works.

It is very important as salaries increase and retail competition grows fiercer to watch most closely the percentage of salary to sales, and I am glad to say that because of another good sales increase this percentage figure is still moving in the right direction. This matter is particularly pertinent at the moment because if the Chancellor of the Exchequer used his pay roll tax 'regulator' it would fall most brutally on organisations like Boots with a very large retail staff where opportunities for labour saving are obviously limited.

Here let me tell shareholders how immensely proud we are of our staff, their spirit, their energy and their skill, and I am sure that you also are aware of their quality, as for example from your visits to the Company's shops. On your behalf I would like to thank them all very warmly, wherever they are in the world, for what they are and do, and to assure them that their efforts are really appreciated.

Retail Developments

We have two fewer shops than we had last year but that is not significant. Our policy is to close unprofitable ones, and wherever we have shops near together and not ideally placed, we try to close them in favour of a larger one in the best trading position obtainable. All the time the average size of our retail trading unit is getting bigger in order to handle an expanding volume of business in the most economical way possible.

The retail development programme is now really beginning to show results. During the past year modernisation of a major nature was in progress in 110 branches of which 57, including large shops in Slough, Gloucester, Lancaster, Huddersfield, Cambridge and Canterbury, were completed. New shops were opened in nine shopping centres, including Basildon New Town. The rebuilding of our Union Street store in Glasgow is well ahead of

schedule and it is hoped will be finished by April 1962. Other large shops to be completed during the current year will be Kettering, Taunton, Bradford, Bolton and South Shields.

These modernised shops give more selling space, freer circulation of customers and staff, better opportunities for customer self-selection of merchandise, and easier handling of goods from the time of arrival until their display in the fittings, all in well-lit, attractive working conditions. Our object too, is to make the shop fronts as attractive as possible, conforming to the best features of any surrounding architecture.

I do not know whether shareholders generally realise that normally all the shops are planned, designed, and fitted by ourselves, only the building work of the structure, and such things as heating and ventilating, being put out to outside contractors.

Retail Trading

Retail business was generally well balanced throughout the year in spite of the wretched summer weather. We had another record Christmas, and our dispensing staff, who during the year dispensed more than 37 million prescriptions accounting for 14% of our turnover, was fully extended during the post-Christmas epidemic.

Our chemist inventory has been extended by a number of new lines including a triple-action cold-relief tablet called Febs, Nasofen nasal drops for the relief of congestion in head colds and hay fever, and Paxedin tablets for relief of pain and feverish conditions. The toilet and household ranges also have a considerable number of additions and reformulations.

Stocks

Stocks show a further considerable increase. In large degree this is a reflection of the increase in sales, but with higher sales an improvement should be possible in the rate of stock turnover and measures are being taken to this end. This is a very complicated matter when you consider that we currently carry some 60,000 stock lines in our warehouses, and this number is additional to lines carried for special order only.

The EMIDEC electronic computer was delivered in April last year and has been in commercial operation since September. Two departments, Photographic and Surgical, are now being handled by the computer and additional departments will be added as time goes on. Having regard to the extreme complexity of the task the conversion has been made very successfully. We are already seeing considerable operational benefits from the new system particularly in the warehouses.

Research

Our expenditure on research and development is now running at the rate of £750,000 per annum and is rising. With present profit margins we could not hope to justify expenditure of this order solely from sales in the home market, and so we are looking more and more to overseas outlets to increase our production and help finance this cost.

Because of our wide manufacturing and selling interests we research actively in many fields, sometimes alone and sometimes in collaboration with other companies. In appropriate cases we market a product containing a new active ingredient offered to us by another company, even if it involves us in substantial research and development which must be done at the expense of products original to ourselves. We believe that such collaboration is sound in that it builds up a desirable contact with other companies while at the same time it develops the rather special marketing position we wish to maintain.

In the field of human medicine we have marketed during the year a new anti-histamine drug, Febramine, which has the special merit of being particularly free from side-effects. Also, two new saluretic products, Aprinox and Abicol. The success of our product, Entamide, for the treatment of amoebic dysentery has now been reinforced by our introduction of another new product, Furamide, which has a more extended range.

In the animal husbandry field, we have developed two new poultry pesticides which have proved very successful in use, and we have also introduced Eludon, a new anthelmintic for sheep which has particular application in the Australian market.

Among new plant protection products are a Codling Moth spray and a product for controlling Big-bud Mite in blackcurrants. The range of fungicides has been extended by a new Potato Blight spray. Keeping our lead in the selective weed-killer market, we have added to our well-known Cornox range two new products, Cornox RK, for control of red shank and other weeds, and Cornox G, which offers a new product and technique for control of weeds in grassland.

New and improved drugs and chemical compounds are the life-blood of our industry, and through them enormous advances have been made since the war in the prevention and cure of human, animal and plant disease. But unless British manufacturers are enabled to earn profits from pharmaceutical manufacture sufficient to support the very complicated and expensive research which is necessary, we shall lose our place in the markets of the world and have to import these vital products from overseas. Pharmaceutical manufacture in America is much more profitable than here and in 1960 was able to support a research expenditure of £76 million. Expenditure for Britain was probably about £5½ million, and it is common knowledge that at least five of the biggest United States pharmaceutical companies each spend annually on research more than all the British firms put together.

National Health Service

I cannot leave this matter without referring to the National Health Service which closely concerns your Company both as retail chemists and as pharmaceutical manufacturers.

For the coming year the total estimates of gross expenditure on the National Health Service amount to more than £800 million. This is an enormous figure and it is only right and proper that it should be the subject of careful scrutiny. But the cost of the pharmaceutical services accounts for only £96 million, or less than one-eighth of the total, and of this £23 million is paid by the patient in prescription charges, leaving the net cost to the Government as £73 million.

The 'drug bill' is said to be rising all the time, and first the patients are accused of excessive demands and the doctors of excessive prescribing; then the retail chemist is accused of making excessive profits and the manufacturer for charging excessive prices. But the statement that the national drug bill is an increasing burden is not true. The cost of the pharmaceutical services has remained a virtually constant proportion of the national income during the whole life of the National Health Service. When the Hinchliffe Committee in 1959 examined the matter it reported that between 1951/52 and 1957/58 hospital service and local and general medical services all rose more than the cost of the pharmaceutical services. Such statistics as are available from the United States and Europe show that the great majority of countries spend a higher proportion of their national income on pharmaceutical services

than we do. The Board of Trade wholesale price index records that "pharmaceutical preparations" rose 0·9% between 1954 and 1960 whilst over the same six years "all manufacturers' products" rose 13·1%—fourteen times as much. The improvement in the health of our citizens brought about by the pharmaceutical industry must save the nation many millions of pounds in the cost of hospitals, doctors, and nurses, as well as through improved efficiency and less sick absence.

We are all tax payers and we all have an interest in efficient and economical administration but it is difficult to escape the conclusion that the continual attacks made on the size of the "drug bill" are inspired more by ignorance than by the merits of the case. There is in fact very close control over the cost of the pharmaceutical services and the chemist cannot charge what he likes but is only paid an amount allowed by the Ministry. Any suggestion that great profits can be derived from supplying drugs to the National Health Service is wide of the mark. The Government is getting the business done not only efficiently and economically but at a lower cost than would be possible in any other way.

Wholesale Division

Good progress was made in our Home wholesale business during the year. Sales of our medical specialities again showed a significant increase and bulk sales of pharmaceutical and industrial chemicals, despite intense price competition, were higher than before.

International Division

Although still small in relation to our home business we have continued to put much effort into developing our International business, and sales to agency markets showed a marked improvement during the year. Sales and profitability of the overseas Companies set up a new record, and progress is shown by the fact that sales have doubled in the last six years.

There have been several interesting new developments overseas during the year. The Indian Government has given a licence to our Indian Company for the manufacture of solid and vialled Insulin, which we propose to carry out at our Bombay factory. Plans are now well in hand for this important addition to India's basic manufacturing resources.

In order to give us a foothold within the Common Market we have opened a Benelux Branch Office in Rotterdam. Work has commenced on the construction of a new head office and warehouse building in Wellington for our New Zealand Company, and in Nigeria, where we have been trading for some years, we have formed a new subsidiary Company.

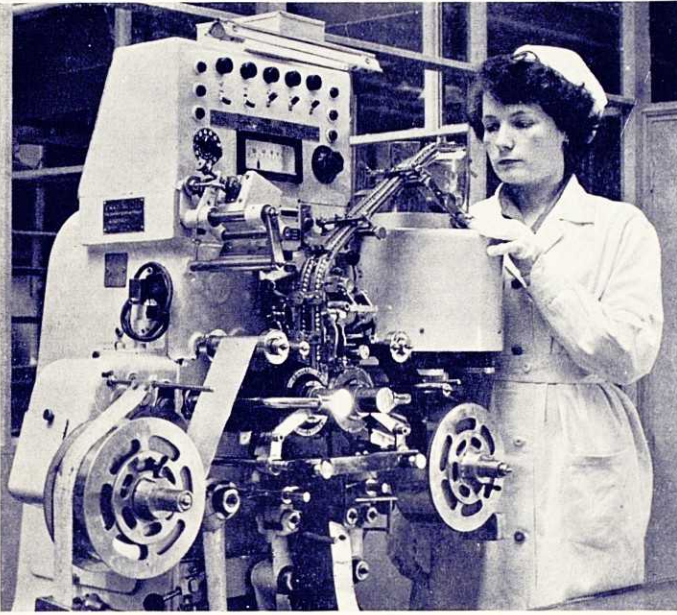
Our thanks go out to all our overseas agents, as well as staff, for their efforts throughout the year.

Summary and Prospects

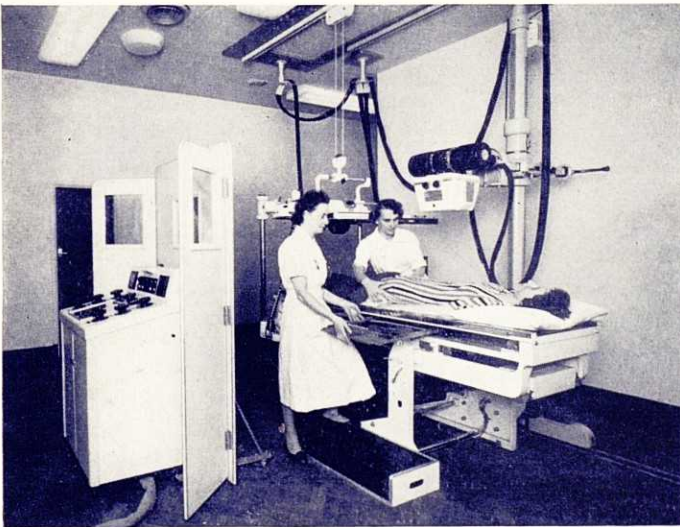
Taken generally I feel that the year has been one of steady progress for your Company, and we look ahead with quiet confidence. Consumer expenditure is rising in real as well as monetary terms and I forecast increasing sales, but we may have to face lower profit margins in certain sections of the business. Tax burdens will again be higher as a result of the recent budget, but we see no reason why these difficulties should not be met by bigger turnover and improved efficiency.

Building for the Future

. . . ILLUSTRATING A FEW HIGHLIGHTS FROM THE CAPITAL INVESTMENT PROGRAMME



above
Modern packaging for drugs—a strip packaging machine in the Pharmaceuticals Factory at Beeston.



above
The X-Ray Department of the Industrial Health Unit in the new £750,000 administrative building in Station Street, Nottingham, which is nearing completion.

right
Inside the recently modernized branch in Enfield, where the sales area has been increased four times.



above
The large new store in Broadway, Bradford, which was opened on May 11th, 1961—some sixty years after the Company's first branch in the city was opened by Jesse Boot.



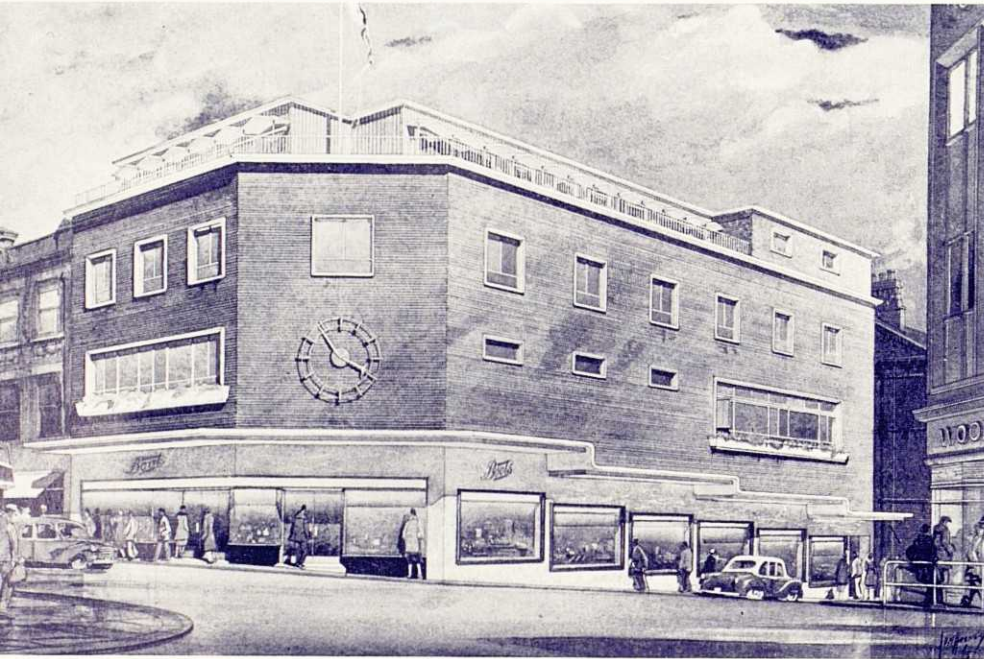
New Building in Progress

Artist's Impressions



above

The branch in Llanelly is being rebuilt at a cost of £83,000, the work being carried out in two stages in order to maintain service for customers. The first stage will be completed before Christmas.

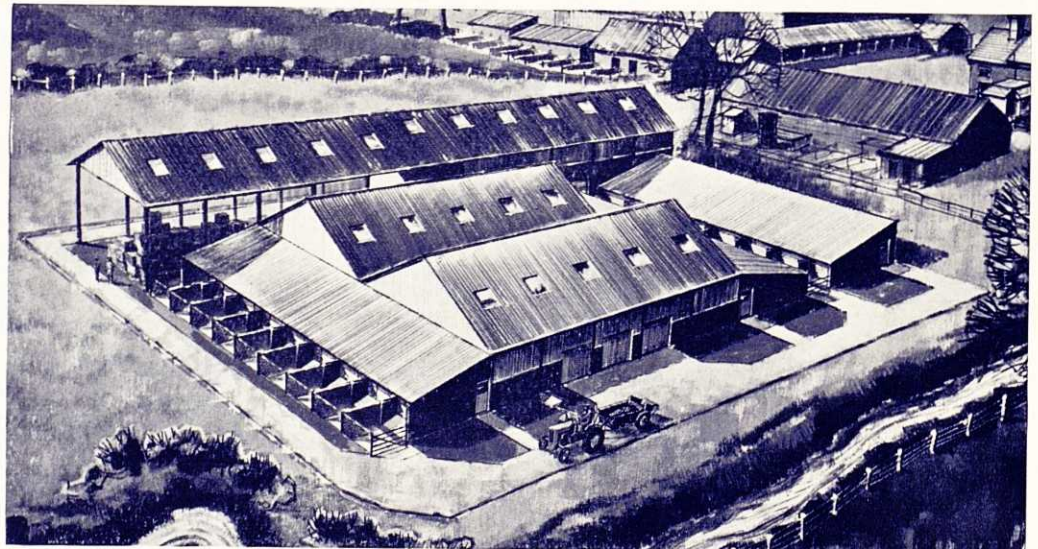


left

Another very large branch now in course of erection at the corner of Deansgate and Bridge Street, Bolton. It will cost £180,000 and will be open in August.

right

The Veterinary Research Establishment at Thurgarton is being expanded to include an Animal Nutrition Unit. Work on the new buildings for this has commenced at Checkers Farm and it is hoped to have the Unit in full operation before the end of the year.







BOOTS PURE DRUG COMPANY LIMITED